

Tab "B"

S-E-C-R-E-T

26 July 1957

MEMORANDUM FOR: Asst. to DD/I (Plng)

THROUGH:

AD/ER
Chief, ERA
Chief, E/S
Acting Chief, S/TD

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FROM:

[REDACTED] S/TD

SUBJECT:

Report of Participation in Operation Alert-1957 as
CIA Representative on the Executive Committee of
the Emergency Economic Agency

NSC Declassification/Release Instructions on File

1. Background

A simulated "Office of Economic Warfare" was established by Presidential Order in June 1957 during Operation Alert. An OEW "Administrator" was made responsible for the coordination, direction, and control of all economic activities of the U.S. Government which would be applied against the enemy to impair his ability to wage war. Placed under the Administrator's aegis were export controls, preclusive buying, blacklisting and financial controls.*/

The name of the Office was changed during the latter stages of Operation Alert to Emergency Economic Administration at the suggestion of the President, who wanted the emergency character of the wartime agencies emphasized, and the new name is used throughout this report. CIA is one of EEA's constituent agencies.

The EEA began to take simulated actions when "C" status of Operation Alert was reached. During "D" status, its Executive Committee was moved for the period 12-19 July to the ODM relocation center where further action was taken.

The Executive Committee participants were as follows:

ODM
Treasury
State
Defense
Commerce
CIA

Fred Winant, Chairman
Edwin F. Rains
Clarence W. Nichols
H. Frank McCaffrey
Nathaniel Knowles

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*/ Copy of the Presidential Order and statement of Administrator's mission and functions are attached.

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This report covers the highlights of the exercise to date from the point of view of intelligence. Results of additional discussions and findings in ODM will be reported later.

2. General Comments

There is an adequate amount of Sino-Soviet bloc intelligence available to support EEA, but under wartime conditions, the communication of intelligence, especially of lengthy data, may be difficult. For that reason consideration must be given to having selected intelligence always available to EEA and certain other agencies at their relocation centers. Operation Alert demonstrated the advantages an aggressor has in modern warfare, and the need for carefully pre-planned, self-triggering, self-sustaining counter-measures of say 90-day duration, to avoid ineffectual improvisations once the attack has started. The Operation also showed that the mission and functions and the operations of EEA needs to be reviewed and further developed if the Agency is to be effective in wartime.

CIA is not directly involved in this aspect of the review, but the EEA and ODM planners are interested in the operational support that may be expected from the Agency.

3. Specific Comments and Observations

a. Export Controls in Wartime.

Operation Alert, once again demonstrated that in time of war one of the most difficult aspects of export controls is the problem of controlling trade with allies and neutrals. The "survival" commodities need to be allocated and the neutrals need to be persuaded not to make these commodities available to the enemy. Actions against the enemy in wartime such as freezing of assets and stoppage of all trade, blacklisting, and preclusive buying are well recognized. It was generally agreed that economic warfare measures against an enemy such as the Sino-Soviet bloc would be of marginal significance as the bloc has a high degree of self-sufficiency. The EEA "scenario" did not consider the effects of retaliatory bombing of the aggressor which would have changed his economic capabilities and made the problem of preclusive buying more important.

b. Problems Concerning the Establishment of EEA

Because of the many delicate diplomatic problems relating to allies and neutrals, and because there are already in existence forums such as ACFE under the Secretary of Commerce where such problems are worked out on an inter-agency basis, some members

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of the EEA Executive Committee felt that there is no need for EEA. Furthermore, certain laws are in effect which vest some of the agencies with responsibility for various aspects of export controls; the powers vested in the EEA need to be reconciled with existing legislation. (Congress could ex post facto approve emergency administrative actions of the President).

Another unresolved problem is the relation of EEA to the Emergency Production Agency, which would in wartime be given powers over procurement and allocation of "survival commodities".^{1/} Would allocation to neutrals and allies of these commodities be accomplished by this agency, or by EEA or by ACEP? Would EEA or ACEP handle the non "survival" commodities? What kind of licensing system is best adapted to wartime? (general or validated?) Should a general embargo be imposed at the start of a war? Many other technical and organizational problems were raised but not resolved during the operation, which indicate the need of further planning, and clarification of authority. On this point there was unanimous agreement.

c. Preclusive Buying.

Operation Alert demonstrated the need of further re-study of this problem. CIA furnished EEA with a short list of commodities for the guidance of preclusive buying activity. A simulated preclusive buying program was begun by EEA which revealed many planning deficiencies which would have prevented speedy implementation. Unless adequate planning exists the aggressor, knowing his needs and the time-table will have secured the needed commodities in neutral countries. Secondly, the problem of buying special commodities seems to separate itself into a series of unique country-commodity problems each one with its own peculiarities (e.g. antibiotics in Switzerland; beryl in India.) The technicalities of planning and of execution of the simulated problem proved themselves to be very substantial and much more work needs to be done to develop an effective system. It was felt that pre-planning was vital. The need for coordination with allies also was stressed. One of the unanswered questions raised by an Operation Alert cable was the availability of CIA support to execute the preclusive buying program.

d. Blacklisting

Operation Alert brought out the difficulties of creating a consolidated black list under wartime conditions. In a simulated action the responsibility was assigned by EEA to Commerce with the participation of other agencies. Many agencies, (Commerce, CIA,

^{1/} The publication of such a list was simulated by the EPA.

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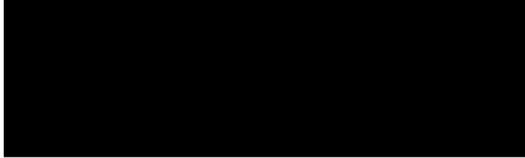
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Defense, Treasury) have data for the compilation of a black and "grey" list, but the frames of reference are not the same and data are not freely interchanged in peace time because of security and "third agency rules": It is agreed that more planning is necessary. Possibly a standby list should be compiled to be used in an emergency and provisions should be made for coordinating the list with certain allies in time of war.

4. Recommendations

- a. CIA to continue participation in ODM planning.
- b. CIA to consider the proposal that it render operational support to a preclusive buying program in wartime. (Coordinate with DD/P and A/DDI/P)
- c. CIA to study the desirability and feasibility of making certain basic data on Sino-Soviet bloc available to ODM at its relocation center for ready reference in an emergency (e.g. OCI country hand-books, selected NIE's, selected data from estimates files.)

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Attachment:
Presidential Order D-105. (Test exercise only)

SECRET

Attachment 1

OPERATIONAL ALERT

Draft for Use in Operation Alert 1957 Only

Executive Order D 105

Pertinent extracts from above Draft Order

II Office of Economic Warfare

- (a) There is hereby established a new, independent agency to be known as the Office of Economic Warfare headed by an Administrator.
- (b) The Administrator shall be responsible for the coordination, direction and control of all economic activities of the Government which are applied directly against the enemy and its allies to impair their ability to wage war. In carrying out these functions the Administrator shall, among other things:
 - (1) Develop and direct a system of export and import controls designed to prevent the acquisition by the enemy or its allies of materials and facilities or of foreign exchange and to carry out essential war programs of the United States.
 - (2) Direct a program of preclusive purchasing for the purpose of preventing acquisition by the enemy or its allies of materials and facilities which could assist the enemy in prosecution of the war.
 - (3) Direct the activities of other Federal agencies to provide for the denial of foreign trade channels to individuals or concerns dealing directly or indirectly with the enemy or its allies.

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(4) Provide policy guidance to other Federal agencies authorized to freeze credits and other assets within the jurisdiction of the United States which could be utilized to provide financial assistance to the enemy or its allies.

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TAB "C"

A. Purpose of Paper

To define the framework within which the offices of the DD/I will plan their operation under wartime conditions.

B. Assumptions

1. Relocation Center has been activated.
2. The war is a global type of extended duration.
3. Principal customers will continue to be the NSC, the President, the DCI, and other policy-making officials or bodies of the US Government.
4. Adequate communications facilities between government agencies will exist.

C. Mission

To support the DCI in his role as intelligence advisor to the NSC and the President.

D. Functions

1. To produce such intelligence as is necessary to support the policy-making officials or bodies of the government.
2. To support domestic and field operations of CIA and other appropriate departments as requested.
3. To continue to perform such coordination, production and support as are assigned to the DD/I by the various NSC Directives.
4. To provide central reference services and support to the Agency and the Intelligence Community as required.

E. Implementation

1. To reconstitute and reorganize personnel and components of the DD/I Area so as to adapt it to the fulfillment of the priority functions of its wartime mission.

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2. To reconstitute these interagency committees required for coordination and the development of agreed intelligence in support of the formation and execution of national policy.
3. To revise and develop production methods and procedures to meet the requirements of the emergency situation.
4. To continue to employ intensively during the war emergency a program of training designed to achieve the skills and flexibility required to execute the DD/I missions.

F. Recommendations

1. That the initial concept be subject to further review and refinement and more detailed definition of the role of the DD/I and its components.
2. That the DD/I arrange for deputy IAC representation at the CIA Relocation Center in order to perform on-the-spot interagency staff work prior to or in lieu of convening the IAC.
3. That the DD/I make arrangements in advance of an emergency situation for the augmentation of the competence of the DD/I area and offices via negotiations with the IAC and non-IAC agencies.
4. That the DD/I emphasize participation in those programs of training deemed to be critical to the performance of his wartime functions.

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